



# How is Medicare Funded?

Medicare provides health coverage for 47.5 million people. In 2010, Medicare spent \$516 billion for covered items and services. Have you ever wondered where Medicare gets this money? Read this fact sheet to find out, and learn ways that you can help Medicare save money.

## What are the Medicare Trust Funds?

Medicare is paid for through two trust fund accounts held by the U.S. Treasury. These funds can only be used for Medicare.

### 1. Hospital Insurance (HI) Trust Fund

#### What does it pay for?

- Medicare Part A (Hospital Insurance) benefits, such as inpatient hospital care, skilled nursing facility care, home health care, and hospice care
- Medicare Program administration, such as costs for paying benefits, collecting Medicare taxes, and combating fraud and abuse

#### How is it funded?

- Payroll taxes paid by most employees, employers, and people who are self-employed
- Other sources, such as income taxes paid on Social Security benefits, interest earned on the trust fund investments, and Part A premiums from people who aren't eligible for premium-free Part A



## What are the Medicare Trust Funds? (continued)

### 2. Supplementary Medical Insurance (SMI) Trust Fund

#### What does it pay for?

- Medicare Part B (Medical Insurance) benefits, such as doctor services, outpatient hospital care, home health care not covered under Part A, durable medical equipment, certain preventive services, and lab tests
- Medicare Part D prescription drug benefits
- Medicare Program administration, such as costs for paying benefits and for combating fraud and abuse

#### How is it funded?

- Funds authorized by Congress
- Premiums from people enrolled in Part B and Part D
- Other sources, such as interest earned on the trust fund investments

**Note:** Federal funding for the Part A, Part B, and Part D benefits for people who join a Medicare Advantage Plan (Part C) is split between the two trust funds. Enrollees may also pay a premium for these benefits.





## What can you do to help Medicare save money?

Here are two things you can do to help:

### 1. Help prevent Medicare fraud

Medicare fraud costs Medicare a lot of money each year. Remember these tips to help prevent billing fraud:

- Ask questions! You have the right to know everything about your health care, including the items and services billed to Medicare.
- Educate yourself and the person you're caring for about Medicare. Know your rights, review Medicare Summary Notices (MSNs) and other statements. If necessary, ask your health care provider about items and services billed to Medicare.
- Be wary of providers who say that the item or service isn't usually covered, but they "know how to bill Medicare" so Medicare will pay.

If you think a charge is incorrect and you know the provider, you may first want to call his or her office to ask about it. The person you speak to may give you information that helps you better understand the items or services you got. Or, the provider may realize a billing error was made and correct it. Correcting a billing error helps both you and Medicare.

If you've contacted the provider and you suspect that Medicare was charged for an item or service that you didn't get, or you don't know the provider on the claim, you should do one of the following:

- Call 1-800-MEDICARE (1-800-633-4227). TTY users should call 1-877-486-2048. **Note: Medicare won't use your name if you ask that it not be used.**
- Call the Medicare Drug Integrity Contractor at 1-877-7SAFERX (1-877-772-3379) if you're in a Medicare Advantage Plan or a Medicare Prescription Drug Plan.



## **What can you do to help Medicare save money? (continued)**

### **2. Choose to get future “Medicare & You” handbooks electronically**

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